

**USAID/Vietnam Competitiveness Initiative, Phase II (USAID/VNCI)**  
**Monthly Report for November 2011**

**Simplifying Administrative Procedures**

**Agency on Controlling Administrative Procedures (APCA):**

- **In-depth review of critical APs:** APCA is working with 27 ACAPR members, including mass organizations, academic institutes, and chambers of commerce, to develop a list of priority APs to be reviewed in 2012 through a survey instrument developed with USAID/VNCI support for all member companies and citizens, with a target of 2,000 responses. This exercise will focus on a small number of inter-related APs that have high impact on the business environment and society. Several tools will be used to review these APs, including the process mapping tool for identification of related procedures developed by IFC, and AP review forms and Impact Assessment of Policy tool for reviewing of underpinning policies supported by USAID/VNCI.
- **Competition for AP reform ideas** will be launched on December 5, 2011 by OOG and APCA. This is a joint initiative between APCA/OOG and the Advisory Council, aiming at two objectives: (1) seeking reform ideas for further reform initiative, and (2) raising awareness among citizens and businesses on reform activities and how the public can participate in the reform. OOG has set a target of attracting at least 50,000 to 300,000 entries for the competition from scholars, civil servants at both national and provincial levels, business representatives, media and youth through the Youth Union. USAID/VNCI team has been putting a lot of work into preparation of this event behind the scenes, getting ACAPR members and key media agencies actively involved.
- **Online forum for Advisory Council:** Minister Dam approved APCA proposal for development of an online forum for the Advisory Council. This forum will serve as a communication channel for the council's members and its working groups so that reform ideas are discussed and shared among different stakeholders. This forum will be open to the public to view, and will provide both the public and the press more information on reform initiatives from private sector and civil society. The development of the forum will be funded by Eurocham (through the contract to upgrade thutuchanhchinh.vn website); USAID/VNCI is providing advice to APCA on concept, design and management of the forum
- **New development on APCA Newsletter:** APCA is facing difficulties to get a publishing license for the first newsletter because many articles contain analysis and judgments on controversial issues. APCA is now finding alternatives to publish these critical articles in cooperation with VCCI as a special feature of Dien Dan Doanh Nghiep (Business Forum Newspaper). APCA will apply for ordinary newsletter licenses for its regular newsletter.
- **Project 30 Implementation Monitoring:** Monitoring reviews through site visits continued among 58 provinces and 25 central ministries and agencies approved by Minister Dam after completion of 5 centrally-managed cities ordered by the Prime Minister in August. The exercise proves helpful to raise awareness in the system at all levels of the need for improving AP quality from drafting stage to actual implementation. This plan will be completed in Dec 2011 by APCA with USAID/VNCI support.

- **Joint circular on guiding procedures for payment of health care cost** through Health Insurance Scheme for individuals that have traffic accidents passed in favor of end-users: Current regulations (Joint circular No. 09/2009/TTLT-BYT-BTC dated 14/8/2009) on this issue received much criticism from both the public and the media, as they are asking end-users to prove that they are not violating the law when they have road accident. APCA has reviewed the draft circular with support from USAID/VNCI team and came up with good arguments and comments to convince MOH to change original draft for a more user-friendly regulations. MOH finally took the advice and issued a much better circular.
- **APCA middle management strengthened:** 3 APCA personnel have recently been promoted to Deputy Manager positions of 3 functioning departments. These young and dynamic professionals have no OOG history and are not related to anyone in the system. While this may sound normal in any other organization, within the administrative system such merit promotions are very rare. APCA proves once again that they are a performance – based organization, and opportunities are open to any competent staff members.
- **Civil society Pressure for reform:** APCA plans to take stronger measures in communications to the public on the performance of state agencies, including the idea of “naming and shaming” stubborn ministries that don’t accept reform comments from APCA to revise drafting regulations. Since APCA does not have over-ruling or veto power, the naming and shaming tactics will expose anti-reform ministries to the public, and use public pressure to drive the reform. This will be implemented through the new thutuchanhchinh.vn website, which will be on-line in the next two months.

### **Regulatory Reform and Regulatory Impact Assessment (RIA)**

- **RIA for Law on Making Master Plans:** assisting MPI drafting team to introduce a more rigorous approach to developing master plans, moving away from traditional planned economy think to more policy analytical methods that can improve master plans for improved economic policy
- **RIA on Mediation Law.** Continued to support MOJ on draft RIA for this law, which was completed and will serve as discussion paper for the drafting team to decide on the structure and options of the draft law. The law will reduce the burden on the court system by allowing civilian and commercial disputes to be resolved through mediation.
- **RIA on Civil Law:** Began to discuss with MOJ about the RIA for the revised Civil Law. The first training session for the 20 member drafting team will be conducted in mid December. The RIA for this Law will be financially supported by JICA.
- **RIA on Price Law:** Provided written comments on the loopholes of the latest draft of Price Law for the NA members from RIA perspective. The draft Law still contains some provisions that potentially cause risks to businesses.
- **RIA Training:**
  - **Bing Duong:** Delivered a policy analysis training course for Binh Duong government officials on November 29-30 for to highlight ways that the province can improve the business environment since it has fallen in PCI rankings.

- **National Assembly Training Center:** Conducted an on-line RIA training course for Training Center for Elected Representatives (TCER). The training course will be uploaded soon for all NA members' access. We have also discussed with TCER for a interacted on-line training for NA members.
- **Khanh Hoa:** Assisted VCCI to deliver training course on PCI, RIA and AP for the provincial officials of Khanh Hoa province on November 1-3, 2011 in Nha Trang.
- **National Assembly's Budgetary and Financial Committee:** Delivered RIA training course for ONA and peoples council officials on November 7-8, 2011, hosted by the Committee in a place outside Hanoi

## **The Provincial Competitiveness Index (PCI)**

- **Son La PCI Diagnostic Workshop:** Presented at the PCI 2010 diagnostic workshop on November 25 chaired by the People's Committee to highlight strengths and weaknesses and discuss ways to improve the business environment.
- **PCI 2011:** After extensive quality control and testing on final data and construction of index based on surveys completed by 7,086 domestic for PCI 2011 and consultation with VCCI and USAID, decided to postpone launch date from December 15 to February 23 to allow more time to analyze unexpected increases in rankings for several provinces. Continued to work on the product coding of PCI 2011 data to allow more analysis of governance impacts on industries and specific products and analysis of 2011 FDI data and 2006 - 2011 panel data to be included in the PCI 2011 report.
- **Expanding PCI Applications:** Participated and presented at the training on "Tools for policy making and administrative reform" with new applications of PCI for policy makers along with the RIA team in Nha Trang from Nov 1 - 3
- **Action Plan of Hanoi Department of Planning and Investment:** Requested USAID/VNCI to comment on their draft action plan for improving competitiveness ranking, including reforms for a better business environment based on PCI data.

## **Infrastructure Financing/Development via Revenue Bonds & Public-Private Partnerships**

- **JICA-USAID Coordination on Infrastructure Fund:** Discussed with Murata Osamu, Director, Private Sector Investment Division, JICA, the approach to engage local investors, including Vietcom Bank and Franklin Templeton through the VCB Fund Management, and State Capital Investment Corporation, in a consultative process for designing the Fund. Facilitated a consultative meeting on November 25 between JICA, VCBF and SCIC on key issues including regulatory restrictions on licensing both debt and equity operations in one corporate entity; off-shore and on-short tax issues; private equity industry practices in designing and setting up funds; risk management issues; expected return on investment for PPP projects; and identifying creditworthy pilot projects for investment. JICA is concerned about selecting a fund manager too early in the process before the fund concept is fully developed. Provided JICA comments on the second terms of reference for the design of the Infrastructure Finance Fund, including various fund models of equity and debt financing and how to develop capital markets.

- **Ministry of Finance Briefing:** Met Director and Deputy Director, Banking and Financial Institutions Department, MOF to discuss USAID/VNCI technical working meeting scheduled for December 1 on infrastructure finance fund, PPP pilot projects under Decision 71, and other issues for the working agenda. Two vice ministers approved the agenda for the session on sustainable infrastructure finance to develop capital markets after three rounds of dialogue with MOF to clarify agenda for this first meeting in four years. USAID/VNCI anticipates a formal working relationship with MOF to develop innovative financing solutions in capital markets for infrastructure. Coordinate with US-Vietnam Trade Council and its Senior Advisor Peter Goldmark, and Bill Streeter a Debt Financing Expert from Hastings Fund Management to contribute presentations for APEC PPP workshop on Dec 1 afternoon.
- **SCIC Interest in Infrastructure Investment:** USAID/VNCI met Mr. Lai Van Dao, CEO of SCIC to brief him on IFF initiative on Nov 24. Mr. Dao expressed SCIC intention to participate in the fund, and is willing to be consulted on the design and establishment of the fund. SCIC has strong interest in participating in a fund for infrastructure development fund, and was cooperating with VCBF in 2009 to set up a fund of this kind. However, this was not realized due to difficulties of financial market at that time. SCIC is a sovereign wealth fund of the government and could potentially participate in a revolving fund or bond bank, in addition to an equity fund.
- **State Contribution Policy for Pilot PPP Projects:** Worked with various stakeholders to prepare a working session with MOF and MPI on state contribution policies on Dec 1, including the preparation of the draft paper on SC policies prepared by Mr. Ben Darche, USAID/VNCI consultant. Roy Torkleson, Senior Financial Advisor, began a 10 day consultancy with USAID/VNCI to support this important initiative, plus follow-up with MOF on financial policies for PPP.
- Prepare for the donor meeting at USAID/VNCI on Dec. 7: USAID is inviting all relevant donors to attend a technical working discussion on the development of the state contribution policy for PPP infrastructure projects. Roy Torkelson, Senior Financial Advisor of USAID/VNCI will present to the donor working group the international experience, issues and considerations that the Vietnamese government should take into consideration in developing the state contribution policy. This policy is relevant for every pilot project that may be considered for PPP and a key guideline for the PDF, which the ADB and Afd are preparing as a loan to GVN for the preparation of pilot projects as well as financing for the state contribution for viability gap financing. State contribution is also critical to developing the pipeline of creditworthy projects for the Infrastructure Finance Fund, under development by JICA and USAID.
- **Pilot Project Screening:** USAID/VNCI continued to follow up on screening possible pilot PPP projects with the PPP Task Force:
  - **Da Nang:** Da Nang submitted 17 projects for PPP consideration after a visit by USAID/VNCI and IFC with the DPI to discuss PPP pilot projects and IFC advisory assistance under Decision 71.
  - **Quang Ninh Province:** Met with Party Secretary, Vice Chair of People's Committee and department heads to discuss the proposed Halong-Haiphong expressway, a 25 kilometer \$500 million tollroad for PPP piloting. The People's Committee negotiated a MOU with MPI and PPP TF to work together and develop the expressway project. USAID/VNCI is using the

technical engineering study completed by TEDI, the SOE of MOT, to analyze financial rates of return and investor risks to prepare a screening report.

- **An Giang Province:** On Nov 21, Mr. Ha Cuong, Infrastructure Advisor, participated and made presentation on PPP investment model in a Infrastructure Conference on improvement of public investment management; guidance on implementation PPP, BOT, BT projects; and ODA mobilization, organized by An Giang People's Committee in An Giang province.
- **Donor Coordination on Infrastructure:**
  - **World Bank and USAID Co-chaired Donor Meeting:** The first co-chaired meeting by Frank Donovan and Victoria Kwakwa for donors included all major donors; the meeting raised concerns with current changes within MPI with regards to the management of the PPP portfolio; the lack of good potential projects for PPP; and unclear guidelines on state contribution policies. All participants agreed on the usefulness of the coordination meeting and will meet on a regular basis (every two months or quarterly basis). USAID suggested to develop a Milestones of Donors' assistance for GVN's PPP Initiative to share among donors and the meeting agrees to this idea. USAID/VNCI is preparing the next technical working session on state contribution policy on December 7, a critical issue related to any PPP pilot project that must account for state budget allocations for feasibility studies, transaction advisors, land clearance, resettlement of people, and other subsidies up to 30% of the value of a PPP project.
  - **ADB Design of Project Development Facility:** met with ADB team and participated in ADB-PPP Task Force meeting on November 11 to review PDF design and operational and institutional issues in preparation for the ADB and AfD loan to fund the PDF. Provided an independent report at request of PPP TF on structure, management, and process of the PDF, providing advice to increase transparency, checks and balances, and efficiency in decision-making.
  - **DfID, UKTI, ADB:** shared screening reports of the elevated Highway No. 1 in HCMC and Song Hau Water Project No. 1 in Can Tho City with donors interested in providing technical assistance for pre-feasibility studies. Our analysis indicates these are complex, risky projects that are important but not ideal for the first pilot projects in the transport and water sectors.

#### **Communications:**

- **USAID's 50<sup>th</sup> Anniversary:** prepared and supported USAID/VNCI presentation and interviews with media for event on 3 November 2011, with VTC, Vietnam News, Saigon Times, Radio Voice of Vietnam, are being lined up for USAID in October.
- **The Guardian on Project 30:** The Guardian online has an article on "Vietnam leads the way for efficient public services", which references a recent report from the Chartered Institute of Management Accountants (CIMA), comparing the performance of public sectors globally, and cites Vietnam as a leading country in simplifying and improving the efficiency of public services (administrative procedures) through the implementation of project 30. Article can be found at:  
<http://www.guardian.co.uk/society/2011/nov/15/vietnam-efficient-public-services?INTCMP=SRCH>

- **Vietnam Investment Review on Administrative Reform:** assisted VIR to develop a special edition on administrative reform for the CG meetings to highlight results and challenges ahead.

### **Project Management:**

- **Faisal Naru departs post:** our chief regulatory advisor completed 3 years of service on November 30 and departed Vietnam. He will join the OECD as a regulatory expert in Paris in January 2012.
- **Recruitment for two positions:**
  - **Senior Infrastructure Advisor:** expatriate position to advise MPI, MOF and state agencies in the development of PPP pilot projects and development of infrastructure finance fund and regulatory changes; anticipated early 2012 start date.
  - **Senior Economic Advisor:** local position for full-time economist to work with the regulatory reform team to support PERQ, RIA training and application to laws, and economic analysis of PCI
- **Prime Minister approved project document for USAID/VNCI:** MPI notified us Prime Minister's approval with four official counterparts: APCA/OOG for regulatory reform; MPI for PPP infrastructure; CIEM for PERQ and regulatory reform; and VCCI for PCI. The project document also provides flexibility for working with MOF on capital markets and PPP infrastructure issues, as well as all provinces/cities and state agencies through each counterpart.
- **USAID/VNCI Retreat:** organized off-site retreat in Ninh Binh to discuss 2011 work plan, transition of team members and plan resources and priorities for coming year.

### **International Visitors**

- Mr. Roy Torkelson, Senior Infrastructure Advisor, November 28 – December 9, 2011 to participate in a sustainable finance workshop planned with MOF on December 1, 2011 and assist USAID, JICA and private investors in the design of the TOR for the Infrastructure Finance Fund.
- Mr. Peter Goldmark, former Head of the Port Authority of New York and New Jersey, November 29 – December 3, 2011, sponsored by U.S. Vietnam Trade Council, to participate in a sustainable finance conference and consultations with USAID/VNCI and counterparts.
- Mr. William Streeter, Infrastructure Debt Manager, Hastings Fund Management, November 30 – December 3, 2011, to participate in the sustainable finance conference on December 1 as a key note speaker and consultations with MOF, MPI and other infrastructure stakeholders and in the APEC conference on PPP infrastructure hosted by UNCTAD and MPI on December 1.
- Dr. Edmund Malesky, PCI Lead Researcher, December 9 – 21, 2011 to work on final preparation of PCI rankings, report and PCI 2012

## Upcoming Events

Activities/Events	Date	Place	Objective	Media/PR
RIA training for Local Officials	December 1	Binh Duong	Providing RIA methods for policy analysis for officials in key departments for investment and economic development	N/A
Sustainable Infrastructure Finance Conference with MOF	December 1	Hanoi	USAID/VNCI supporting a conference on Sustainable Infrastructure Finance, focusing on public investment efficiency and private investment with MOF, MPI and other state agencies, in cooperation with US-Vietnam Trade Council,	N/A
Filling the Infrastructure Gaps in APEC's Developing Economies	December 1 – 2	Hanoi	Hosted by APEC, UNCTAD and MPI, conference brings together international experts to speak on experiences and models for infrastructure development in developing economies	N/A
Launch of Competition for AP Reform	December 5	Hanoi	Assisted APCA in the design and launch of the competition for citizens, enterprises, etc. to provide input on problematic APs and solutions	Organized by OOG with USAID/VNCI support
Donor coordination technical working session on State Contribution Policy	December 7	Hanoi	USAID/VNCI will host a presentation on state contribution policy issues based on consultations with MOF for donor partners who support pilot projects and viability gap funding	N/A
PCI Diagnostic Workshop	December 12	Ha Nam	Presentation to Peoples Committee on PCI ranking and analysis of strengths and weaknesses are areas for improvement.	Locally arranged
PCI2011 Launch Event	Rescheduled for February 23, 2012	Hanoi	Annual launch event of PCI 2011 with VCCI; major media event	Yes, with US Ambassador presenting and interviews
PCI2011 Launch Event	Rescheduled for February TBD	HCMC	Presentation of PCI2011 to provincial leaders and the business community for dialogue in the southern region.	Yes, TBD